

## House Republican Press Release

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### Rep. Hetherington Opposes \$31 Billion Two-Year Budget



#### *Cites Unrestrained Spending and Increased Taxes*

State Representative John W. Hetherington (R-125<sup>th</sup>, New Canaan, Wilton) has voted against a proposed \$31-billion, two-year budget that increases state spending by 12.2 percent over the next two years. He cited the

absence of any spending cuts and the addition of almost \$738 million in new and deferred taxes.

"We increase spending and avoid the spending cap only by taking \$650 million of the current \$700 million surplus and applying it to the new budget. So, in one shot, we blow away nearly everything we gained from increased tax revenues coming from a better economy. This is government on a spree."

On the tax side, Hetherington expressed particular objection to adding a 20 percent surcharge on corporate income taxes and reviving the Connecticut estate tax. He noted the importance of small business as the major engine of economic growth and pointed to several features of the new death tax:

1. The estate tax is retroactive to January 1, 2005, so the estates of people deceased for months will be impacted. Very possibly a number of these estates will have been settled and distributed.
2. While there is a \$2 million exemption, once the exemption is exceeded by any amount a base tax rate of 5.085 percent applies back to the first dollar of the estate. This is sometimes called the "cliff" effect, adopting the imagery of an estate plunging off a cliff and falling entirely into the tax. On top of the base rate, there is a progressive tax rate beginning at an estate value of \$2.1 million that increases to 16 percent.

"I have to call this a sneak attack on taxpayers," Hetherington said. "I don't believe that most people immediately realize that this estate tax is retroactive and has a cliff effect. Families will wind up with less of an inheritance with an estate valued at \$2.1 million than they would with an estate valued at \$2 million. That is because the base tax takes all of the first \$100,000 over \$2 million."

"What troubles me also is that escalating real estate values in New Canaan and Wilton will push more and more people into the new estate tax. With building lots selling for \$2 million, the family home will bring the tax to people who never expected it. Frankly, I am outraged. For most people their home is their biggest asset that they have worked long and hard to own."

Representative Hetherington called an amendment to exempt a decedent's primary residence from the estate tax. His amendment failed on a mostly party line vote.

He added that New Canaan and Wilton send over \$100 in taxes to the State of Connecticut for each dollar returned in state aid. The new budget continues that ratio.

Rep. Hetherington serves the 125<sup>th</sup> Assembly District of New Canaan and Wilton in the state House of Representatives.